WORKING CAPITAL FUND
U.S. DEPARTMENT OF ENERGY

FISCAL YEAR 2000: ANNUAL REPORT

November 28, 2000

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Message from the Fund Manager

FY 2000 Report

FY 2000 is the fourth year of Working Capital Fund operations, and we are proud that the Fund has demonstrated that its operations are valued by customers, serve the Department, and remain within the fiscal and policy guidelines established by the Board and by congressional committees.

In FY 2000, business expenses exceeded customer billings (earnings) by $ 0.2 million, but this key metric does not indicate unsatisfactory fiscal performance. For the first four years of operation, the Fund had an excess of earnings over expenses of $ 2.1 million, or less than 1% of customer billings over the life of the Fund. This is well within the 4% target set by legislation forwarded this year by the Office of Management and Budget for franchise funds. Although the net earnings for individual business lines fluctuate between profit and loss, the Fund maintains its goal of break-even operations.

Working Capital Fund Business Results Summary ($ Millions)

	FY 2000 Earnings	FY 2000 Expenses	Net Earnings FY 2000	Net Earnings FY 97 - 00
Supplies	$ 2.8	$ 3.0	($ 0.2)	($ 0.6)
Mail	$ 1.6	$ 2.0	($ 0.4)	$ 0.0
Copying	$ 2.7	$2.6	$ 0.1	$ 1.0
Printing & Graphics	$ 3.5	$ 3.5	$ 0.0	$ 0.0
Bldg Occupancy	$ 58.3	$57.6	$ 0.7	$ 2.1
Phones	$ 7.0	$ 7.0	$ 0.0	($ 1.5)
Desktop	$ 1.4	$ 1.5	$ 0.0	($ 0.3)
Network	$ 3.3	$3.2	$ 0.0	$ 2.1
Contract Closeout	$ 0.5	$ 0.5	$ 0.0	$ 0.1
Payroll Services	$ 2.2	$ 2.6	($ 0.4)	($ 0.9)
EIS	$ 0.1	$ 0.1	$ 0.0	$ 0.1
Total	**$ 83.4**	**$ 83.6**	**$ (0.2)**	**$ 2.1**

As explained in more detail later in this report, key factors explaining earnings/expense variations of over $50,000 in FY 2000 are as follows:

$ The Payroll business line, as previously planned, used contributed capital from the Chief Financial Officer for software analysis, so the apparent net loss does not represent a deficit that the Board needs to address.

$ The Supplies business line, as discussed in the quarterly reports during FY 2000, recognized prior year costs and costs for information systems in its FY 2000 report, accounting for most of the FY 2000 deficit.

$ The Mail business line was expected to have a loss in FY 2000, due to Fund Manager decisions to reduce internal distribution billings to customers in FY 2000 as a way of refunding a surplus that had developed in prior years. That surplus was attributable largely to the recognition of prepaid purchases of postage for postage metering machines, a form of business asset that was not included in initial Fund financial statements.

$ Building Occupancy was also expected to have a loss in FY 2000, because it began to incur the costs of improvements associated with the Germantown Occupational Health Organization (GOHO) facilities during FY 2000 even though such improvements are scheduled to be included in FY 2001 customer billings. However, a record volume of customer requests for building alterations offset this phenomenon. The business treated the full $1.3 million in customer-funded requests as earned, but not all of the work has been completed and reflected in business expenses. Since the remaining expenses will be reflected in FY 2001, this portion of the business line surplus is not available for other uses.

In terms of other aggregate financial measures, I am pleased to report that all customers paid their bills, there were no violations of fund control guidelines, and the billing system continues to provide timely and accurate information to customers. The Fund continues to receive good cooperation from the Capital Accounting Center management and staff. One area of continuing concern has been the need for clear, timely, and accurate financial reports at the business line level, where managers are being asked to focus concurrently on traditional Federal budget accounting and on business-type financial reporting. To address this problem, we had a contractor develop financial templates that could accept detailed DISCAS accounting reports and translate such reports into more user-friendly information displays on the desktop. While some template-based data was used in the fourth quarter reviews, it is clear that continued training and experience with these new reports will be needed over the coming months.

The format for this year's annual report has changed, to provide a more descriptive section on each of the businesses. Over recent months, the Fund management worked with Jupiter Corporation and Booz Allen Hamilton, to develop a format and an example for developing business plans using the balanced scorecard framework. The line managers in MA, CIO, and CFO have agreed to develop these plans, which are intended to accomplish several interrelated objectives:

$ Meet the expressed need of the Board for more out-year information on investments, operating levels, and pricing; we are asking the businesses to consider a five-year planning horizon to address these needs.

$ Help each business line organization understand all dimensions of a strategic business unit: Customer, Financial, Business Process Improvement, and Learning and Growth.

$ Help each business unit to move toward performance management principles and concepts by organizing results information in a more coherent manner.

The Board will begin to receive these plans in early 2001, and we envision that planning will continue with input from the Board and working groups, to improve the budget formulation process for FY 2003 and beyond.

As can be seen from the remainder of this annual report, the list of business line accomplishments is long and significant. In addition to fulfilling their service commitments to customers, the business lines continue modernization efforts and process improvements. For example:

- $ The Copier business installed 52 dedicated copiers and experienced a 7% increase in copier usage. The business is moving towards digital technology, which features fewer moving parts and linkage to communication and information technology.

- $ The Mail business received the Federal Mail Center Excellence Award in June 2000.

- $ The Printing and Graphics business implemented a web-based job ordering system to improve customer service.

- $ The Building Occupancy business managed major building alterations to improve program office logistics in addition to major facility upgrades to fitness centers.

- $ The Telephone business completed equipment and technology upgrades to improve operational efficiency. It negotiated new contracts with vendors that will result in savings to programs. New call me conferencing capabilities support the growing need to bring knowledgeable employees together in cost effective meetings.

- $ The Network business, in addition to completing improvements to bandwidth and response time, achieved network availability at 99% and expanded hours of service for the help desk to improve customer response.

- $ The Desktop business trained over 1,800 people.

- $ Contract Closeout returned $12.4 million of uncosted balances to the Department.

- $ Payroll achieved 100% on-time delivery of employee paychecks and partnered with CHRIS-HR to enhance the Employee self-service (ESS) that provides employees with electronic Leave and Earning Statements. A fit gap analysis of the PeopleSoft Payroll product was conducted to determine its adequacy for DOE needs.

Looking Ahead

The Working Capital Fund business lines face a number of challenges over the coming months, some of which will require Board guidance:

- The Department needs to decide whether to proceed with the addition of certain Information Management business lines into the Fund in FY 2002, as decided by the Executive Committee on Information Management and the Working Capital Fund Board in July 2000. These include both the activities previously financed by the Chief Information Officer budget and those, which have been financed by customers, but outside the Fund. If the decision is made to defer formal inclusion of these activities in the Fund until FY 2003 or later, four follow-on actions need to be taken in the immediate future:

  - We need to provide clear and consistent updated guidance to all customer organizations on what to include in their individual program budgets;

  - We need to revise and resubmit the FY 2002 budget for the Fund;

  - We need to decide whether and how to continue notional billing in FY 2001 and FY 2002 for the Information Management services that were included in the July 2000 ECIM and WCF Board decisions; and

  - We need to provide guidance to the Working Group created by the ECIM and adopted by the WCF Board regarding further assignments in the area of usage-based pricing analysis.

- The Phone, Desktop, and Network business lines are reviewing their requirements for working capital. Their large service contracts require funding to bridge the period until new appropriations become available.

- The Supplies business line, which experienced financial losses in three out of four years of the Fund, is being re-engineered by a Working Group, and plans are being developed to contract with a new provider. It now appears that implementation of these changes will occur in mid-FY 2001 and that the Supplies business assets will be sold to the new vendor. The amount of cash proceeds from this sale will depend on the inventory level remaining at the point of transfer, and we are trying to ensure that inventory purchases are being managed appropriately in the interim. Also, some aspects of this business, such as the provision of official stationary and copier supplies, are proposed for transfer to other existing Working Capital Fund business lines. All of these changes will result in redirection of cash flows among businesses, and we will need to ensure that these changes are fully planned in advance and thoroughly documented as they occur.

$ We amended the Mail pricing policies in FY 1999 and FY 2000 to suspend billing for certain services, as a way of refunding to customers certain excess earnings. Thus the FY 2000 excess of business expenses over earnings was planned. However, the amount of the FY 2000 losses was greater than expected, and we may not be able to continue the FY 1999-2000 discounts throughout FY 2001. We are evaluating the need to discontinue the discounts.

$ The Payroll business line manager has been analyzing the alternatives to the upgrade of the current payroll software, and she will be briefing the Board on her findings. At approximately the same time changes would take place in this business, a new business segment, the operation of the CHRIS system, is being added to that business line. Because of the clear technical relationships between the payroll system, the human resources system, and the Department's accounting system, there will be technical and managerial challenges for this business line as well as financial changes.

$ The Building Occupancy business line has experienced considerable growth in requests for building alterations; this growing business segment is becoming larger than a number of the other Fund businesses. It creates issues in financial reporting, because of time-lags between the customer advance of funds for alterations and the completion of the work, and the Fund will need to consider new billing and reporting methods for this segment, to avoid distorting financial results.

$ The Graphics segment of Printing and Graphics has experienced a growth in non-standard customer requests in FY 2000, in excess of the allowance built into the pricing methodology. There will need to be an agreed-to method for determining how to reflect this trend in the pricing policy. At present, there is a time lag of one year between a customer's graphics activities and the time the Graphics overhead costs are reallocated among all customers. There may be a need to revise this method to provide a more immediate feedback to customers of the cost effects of rush jobs that increase departmental costs.

$ The governance structure of the Working Capital Fund has some features that set it apart from certain other DOE organizations. Some differences are inherent in the business-type approaches taken to the delivery of services, but others have emerged due to the addition and subtraction of business lines as well as the reorganization of the parent organizations delivering the services. Overall, the Working Capital Fund has taken on the character of a virtual organization relying on cooperation, mutual self-interest, and clear communication rather than formal authority structures.

As Fund Manager, I met with an informal working group recruited from the Board. The group concluded that the current structure of Fund management should be left basically as is. Other than naming new members to the Dispute Resolution Council (which has not met since FY 1997), the group expressed satisfaction with current arrangements. While I do not disagree with the groups' conclusions, I would comment that the success of a virtual organization cannot be taken for granted; it requires continuing effort by all participants to function productively.

Finally, I would like to thank the many people who made the Fund a success in its fourth year. Within my immediate office, this includes Pete Richards and Bob Emond, who served as a tag team in managing financial matters on a day-to-day basis, and Roscoe Harris and Ingrid Robinson, who made the billing and other financial reporting systems a success. In addition, the business line officials, the CFO staff, and the customer resource managers all contributed greatly to this success.

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Financial Statements of the Working Capital Fund

Relation of Earnings to Expenses

Overall, the Fund earned $0.2 million less than expenses in FY 2000, compared to a net gain of $2.1 million over FY 1997-2000 (Table I), which is just 0.6% of earnings over the four year period. As Table I illustrates, results varied substantially among businesses, but the overall result for the first four years has been substantially a breakeven situation, in line with congressional and departmental policies. Expenses have been adjusted on a business line basis to reflect purchases of capital assets, changes in inventory levels and prepaid postal charges.

Table I: FY 2000 Year End Business Results
(dollars in millions)

	Earnings	Expenses	Net Earnings FY 2000	Net Earnings FY 97 - 00
Supplies	$ 2.8	$ 3.0	$ -0.2	$ -0.6
Mail	1.6	2.0	-0.4	0.0
Copying	2.7	2.6	0.1	1.0
Printing & Graphics	3.5	3.5	0.0	0.0
Bldg Occupancy	58.3	57.6	0.7	2.1
Phones	7.0	7.0	0.0	-1.5
Desktop	1.4	1.5	0.0	-0.3
Network	3.3	3.2	0.0	2.1
Contract Closeout	0.5	0.5	0.0	0.1
Payroll Services	2.2	2.6	-0.4	-0.9
EIS	0.1	0.1	0.0	0.1
Total	$ 83.4	$ 83.6	$ -0.2	$ 2.1

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Relation of Customer Payments to Anticipated Customer Billings

By the end of FY 2000 all customers had made advance funds equal to or greater than actual billings. The surplus advances are available to customers for FY 2001 billings.

The fund experienced no disputes for consideration by the Dispute Resolution Council. MA represented half the unbilled advances, similar to prior patterns where MA made advances early in the fiscal year to ensure liquidity of the Fund.

Table II. Comparison of Advances to Billings
(dollars in millions)

	Advances	Billings	% Collected
Supplies	$ 3.9	$ 2.8	139%
Mail	2.4	1.6	150%
Copying	4.1	2.7	152%
Printing & Graphics	3.7	3.4	106%
Bldg Occupancy	60.6	58.3	104%
Phones	7.0	7.0	100%
Desktop	1.8	1.4	129%
Network	3.4	3.3	103%
Contract Closeout	0.5	0.5	100%
Payroll Services	2.3	2.2	105%
EIS	0.1	0.1	100%
Total	$ 89.8	83.4	108%

Relation of Payments to Obligations by Business Line

There have been no violations of administrative control of funds procedures by Working Capital Fund business lines.

At the end of FY 1999 the fund had received advances of $9.3 million in excess of obligations. For FY 2000 we received a further $82.7 million in customer advances for a cumulative availability of $92.0 million, as shown in Table III.

Overall, businesses are carrying $7.2 million in unobligated customer advances into FY 2001. It should be noted that these balances are not unencumbered assets, in the sense that they subsume the liabilities associated with excess customer advances, as set forth in Table III.

Balances set forth by the business lines below exclude amounts available to the Fund Manager for training and contractual services, as contributed by MA.

Table III: FY 2000 Annual Business Results: Federal Agency Basis
(dollars in millions)

	Unobligated Balance 10/99	Current Year Customer Advances	Total Available	Obligations	Unobligated Balances 9/00
Supplies	$ 1.2	$ 2.7	$ 3.9	$ 2.9	$ 1.0
Mail	0.8	1.6	2.4	1.7	0.7
Copying	1.4	2.7	4.1	2.7	1.4
Printing & Graphics	0.3	3.4	3.7	3.4	0.3
Bldg Occupancy	2.0	58.4	60.6	60.4	0.2
Phones	0.3	6.5	7.0	6.6	0.4
Desktop	0.3	1.5	1.8	1.6	0.2
Network	0.3	3.1	3.4	2.9	0.5
Contract Closeout	0.0	0.5	0.5	0.3	0.2
Payroll Services	0.1	2.2	2.3	2.3	-
EIS	0.0	0.1	0.1	0	0.1
Unalloted	2.6	0	2.2	0	2.2
Total	$ 9.3	$ 82.7	$ 92.0	$ 84.8	$ 7.2

Changes in Budget Estimates

As shown in Table IV.a, the latest FY 2000 budget estimate in the FY 2001 Congressional Budget was $81.7 million. The final billing for FY 2000 was $83.4 million. The differences between the latest estimates and actual billings were related to discretionary customer demand for building alterations and purchase of dedicated copy machines. The latest budget projections for FY 2001 and FY 2002 do not include estimates for these discretionary customer purchases.

Table IV.a: FY 2000 Budget Estimate Accuracy
(dollars in millions)

	Process	FY 2000 Billing Estimate ($Millions)
June 1998	FY2000 Corporate Review	$83.1
December 1998	FY2000 Congressional Budget	$81.6
May 1999	FY 2001 Corporate Review	$81.4
December 1999	FY 2001 Congressional Budget	$81.7
October 2000	FY 2000 Actual Bill	$83.4

Customer Detail of Budget Estimates

Table IV.b. analyzes the absolute dollar and percentage variation by customer between the estimates associated with the FY 2000 column of the FY 2001 Request to Congress and the actual billings. There are 4 organizational units **(in bold)** for which there were deviations in excess of 10%.

Table IV.b: FY 2000 Budget Estimate Accuracy by Customer
(dollars in thousands)

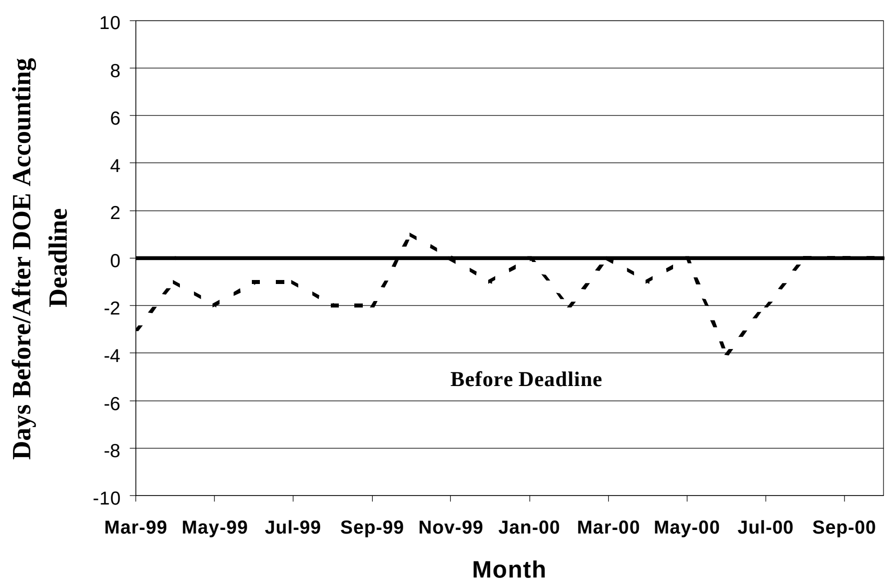
	FY 2001 Congressional Budget	FY 2000 Actual Billings	Absolute Change	Absolute Change %
Office of the Secretary	951	1,013	62	7%
Board of Contract Appeals	183	184	1	1%
Bonneville Power Administration	166	169	3	2%
Chief Financial Officer	2,591	2,787	196	8%
Civilian Radioactive Waste Mgmt	1,455	1,468	13	1%
Cong. & Intergov'l Affairs	767	739	28	4%
Contract Reform & Privatization	163	164	1	1%
Counterintelligence	558	853	**295**	**53%**
Defense Programs	4,637	5,076	439	9%
Economic Impact and Diversity	735	763	28	4%
Energy Efficiency	5,849	5,993	144	2%
Energy Information Admin	7,279	7,332	53	1%
Environmental Management	6,746	6,748	2	0%
Environment, Safety, and Health	4,557	4,433	124	3%
Fissile Materials Disposition	552	673	**121**	**22%**
Fossil Energy	3,296	3,138	158	5%
General Counsel	2,958	2,976	18	1%
Hearings and Appeals	898	866	32	4%
Inspector General	1,812	1,821	9	0%
Intelligence	1,217	1,166	51	4%
International Affairs	856	926	70	8%
Management and Administration	12,591	12,412	179	1%
Naval Reactors	506	644	**138**	**27%**
Nuclear Energy	1,225	1,309	84	7%
Nuclear Nonproliferation	2,991	2,994	3	0%
Oversight & Perf Assurance	212	292	**80**	**38%**
Policy	923	852	71	8%
Public Affairs	897	888	9	1%
Science	3,344	3,433	89	3%
Secretary of Energy Advisory Bd	238	228	10	4%
Security & Emergency Operations	9,619	10,134	0	0%
WAPA/SWPA/SEPA	486	469	17	3%
Worker Transition	411	407	4	1%
Other (including FERC)	2	84	82	N/S
Total	81,671	83,434	2,614	3%

Financial Management Systems

On September 24, 1999, the Inspector General conducted its annual audit of the Working Capital Fund, concluding that "The Fund was operated in compliance with the required administrative controls, used performance measures appropriately, and implemented actions to correct problems identified in the prior period where feasible." The audit did not make any recommendations.

The WCF billing system continued to successfully produce timely and accurate monthly bills. The chart below is new this year and indicates the billing performance related to transferring customer-billing information to DISCAS by the fifth working day of the month. This allows the Fund staff, with the cooperation of CFO officials, to have the billings entered into DISCAS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in Departmental accounting in the same month they occur. The lag time between the end of the month and the issuance of the bill is extremely consistent. Process improvements that would result in timesaving are no longer meaningful.

WCF Billing Performance



The Fund Manager will be analyzing Working Capital Fund capital assets in FY 2001 in order to rationalize these assets and determine the liability related to funding their replacement. The result will be a five-year capital plan completed in time to influence the FY 2003 budget process. Our capital requirements could likely decline in the future as technology improvements decrease computing and communication infrastructure costs. We expect current earnings should be adequate to finance current capital requirements.

The Office of Financial Control and Reporting reports Working Capital Fund capital assets and other balance sheet items. Our analysis of those reports is not yet complete. We are working with the accountants to explore options for making our financial reporting more meaningful. While these reports do not affect our analysis in a material way, they do offer opportunities to improve our financial management.

Business Line Annual Reports

WORKING CAPITAL FUND
U.S. DEPARTMENT OF ENERGY

Supply Business Line

Earnings *(millions)*	Expenses *(millions)*	Net Earnings FY 2000 *(millions)*	Net Earnings FY 1997-2000 *(millions)*
$2.8	$3.0	$(0.2)	$(0.6)

Overview

The business line experienced negative $0.2 million net earnings in FY 2000 and negative $0.6 million net earnings since FY 1997. In addition to being unable to recover overhead expenses, the business experienced diminished sales during the first quarter of FY 2000 further damaging earnings. Due to inadequate earnings the business is selling its inventory to a contract vendor who will begin operating the supply stores in mid-2001. A working group co-chaired by Lesley Gasperow and Laurie Smith is preparing a transition plan.

FY 2000 Achievements

- **Added 88 new items.**
- **Discontinued 77 items.**
- **Implemented an improved inventory tracking, control, and billing system (QuickSell).**

Business Description

This business operates two main stores and one satellite self-service store, which carry a wide variety of consumable office products. The supply business also delivers non-stocked items. Our customers are employees of the Department's program offices. The offices are then billed for employee purchases. The price charged includes the cost of the items plus a 30% overhead charge designed to cover our operating expenses (contract labor, warehouse storage, and distribution of supplies).

Business Line Projections

This business will close and a new service provider will initiate service in mid-2001. Due to its experience operating similar supply stores, we expect its prices to remain consistent with DOE experience.

Mail Business Line

Earnings	Expenses	Net Earnings FY 2000	Net Earnings FY 1997-2000
(millions)	*(millions)*	*(millions)*	*(millions)*
$1.6	$2.0	$(0.4)	$0.0

Overview

The mail business line experienced negative $0.4 million net earnings in FY 2000 and for all practical purposes broke even since FY 1997. The loss for FY 2000 resulted from discounts offered on internal mail distribution, which were financed by a draw down on postage assets. This business is expected to break even in FY 2001.

FY 2000 Achievements

- **Received the Federal Mail Center Excellence Award in June 2000.**
- **Identified vendors who have same-day express mail delivery to most major cities, and two-day delivery to some international countries.**
- **Offered discount service for 1st class letters and bulk standard A (500 minimum).**

Business Description

The DOE Mail Center provides a variety of mail services for all official and other authorized mail for DOE and its employees. The services provided include the processing of all incoming postal mail, outgoing official mail, internal mail processing, and special services including: accountable mail processing, pouch mail, a variety of overnight express mail services, directory services, and pick-up and delivery services.

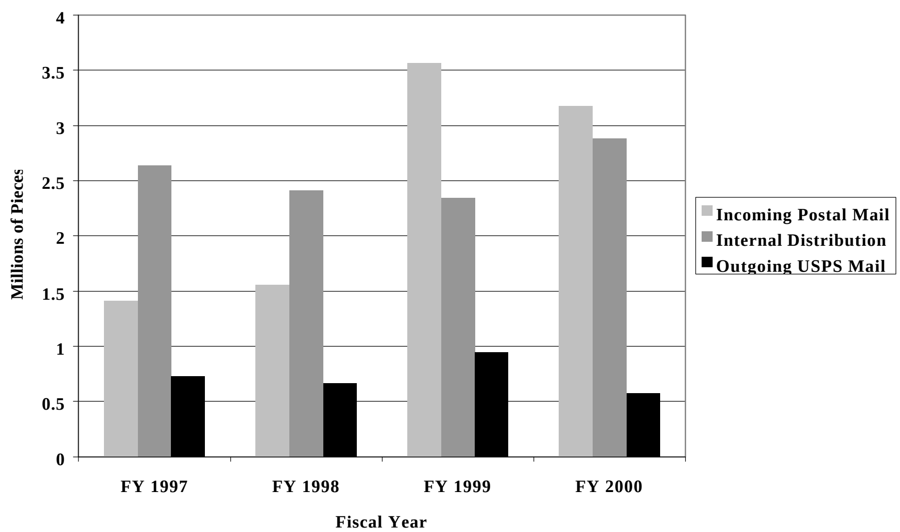
Defining Success

We define success as continuous and timely mail service.

Business Line Projections

Incoming postal mail and outgoing official mail decreased by11% and 39% respectively, during FY 2000 as shown in the figure below. This decline is due to a number of factors. There are slightly fewer headquarters personnel, as compared to FY 1999. The increasing use of e-mail and fax machines has most certainly reduced the need to physically mail documents. Over the next few years we expect to see further declines in the volume of postal mail handled by the business line. Postal rate increases are expected in January 2001. Internal deliveries increased 23% during FY2000, even as the number of Headquarters personnel decreased. This performance is due to increases in DOE-wide distribution of items such as the DOE Telephone Book and the SOAR publication, National Nuclear Security Administration (NNSA) activities, and wider distribution of vacancy announcements.

Mail Business Line Usage Data



Internal distribution data for FY 1997 through FY 1999 have been normalized (increased) to account for a new methodology for counting internal mail initiated in FY 2000. We have confidence in the FY 2000 amounts and consider them an improved baseline indicator for internal distribution.

Photocopy Business Line

Earnings	Expenses	Net Earnings FY 2000	Net Earnings FY 1997-2000
(millions)	*(millions)*	*(millions)*	*(millions)*
$2.7	$2.6	$0.1	$1.0

Overview
The photocopy business line earned $0.1 million in excess of expenses in FY 2000 and has earned a net of $1.0 million since the fund began in 1997. The copy business was subsidized in FY 2000 by $50,000 of copy paper distribution by the mail business. In FY 2001 the copy business will pay for this service.

FY 2000 Achievements
- **Installed 52 networked dedicated digital copiers.**
- **Maintained the price of $0.028 per copy, despite increases in labor and paper costs.**
- **Number of copies produced increased by 7%.**
- **Implemented use of printing web site to improve customer service and expedite job orders.**

Business Description
The Photocopy business provides photocopy equipment and services to support Headquarters organizations. The business line leases or owns the copiers used in the central and staffed copy centers and we assist customer organizations in purchasing copiers for their own offices.

The business line operates Headquarters staffed copy centers and walk-up copiers, provides support for emergency rental of additional copy equipment, and coordinates copier equipment maintenance. Customers are assessed a full cost-per-copy basis for central and staff copiers, and on a self-supporting, “full-cost” basis for dedicated copiers.

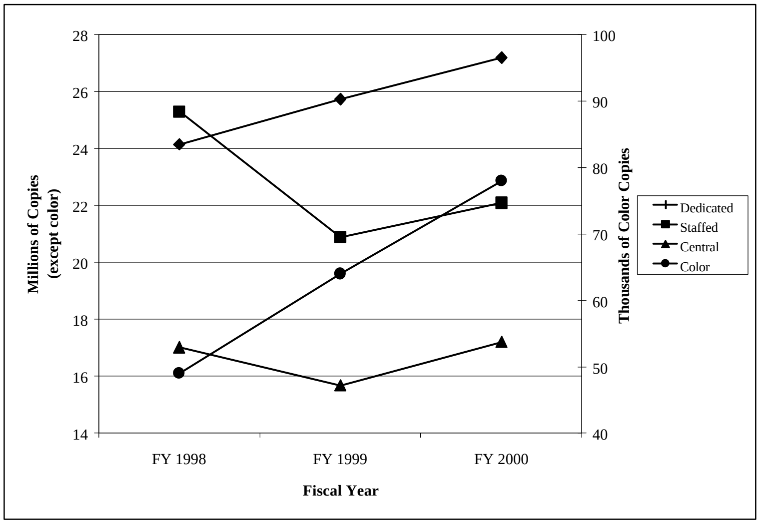
Defining Success
Success in the copy business line is defined by: less wasted paper due to copy malfunctions; lower maintenance; increased employee productivity; and less operator error. The move to digital copiers with fewer moving parts, less maintenance, and higher employee productivity supports our goals.

Business Line Projections
Overall copy volume increased by 7% over FY 1999 but the number of copies made at each category of machine varied, as shown in the figure below. A total of 52 networked digital copiers were installed. These digital copiers also act as laser printers and fax machines. We expect the usage of the dedicated copiers to increase markedly as more digital copiers are installed because these copiers replace laser printers and fax machines. We do not anticipate a

decrease in usage for staffed and walkup copiers because of the replacement of digital dedicated copiers. We expect, however, that customers will find it easier and ultimately less expensive to produce multiple copies from the digital copiers.

During FY 2001 the business line will continue to replace aging dedicated copiers with new, digital models. We will also provide owners of dedicated copiers with the ability to view certain types of information (age of copier, usage, billing costs) over the Print Media web site.

Photocopy Volume



Printing & Graphics Business Line

Earnings	Expenses	Net Earnings FY 2000	Net Earnings FY 1997-2000
(millions)	*(millions)*	*(millions)*	*(millions)*
$3.5	$3.5	$0.0	$0.0

Overview

The Printing & Graphics business broke even for FY 2000. The graphics business experienced an increase in non-standard graphics requests (rush jobs or other requirements that exceed its capacity to provide service in the short run). For this reason it will be making a recommendation to the Board to bill customers for non-standard graphics support. Once it has refined its understanding of customer requirements for this service it will make its proposal to the Board.

FY 2000 Achievements

- **Processed 1,571 printing requests for customers.**
- **Implemented a web-based job ordering system to improve customer service.**

Business Description

The Printing and Graphics business lines provide printing and graphics services to Headquarters (HQ) organizations. The printing side of the business is a straight pass-through: offices pay actual printing costs, vendor postage, federal register fees, vendor color copying, and court reporting services. The business line provides procurement and liaison with commercial printers through the Government Printing Office.

The Graphics business line provides a variety of professional design services to DOE and its employees. It provides design and development of pre-press graphics, electronic forms and exhibits, and court reporting services.

Visual media services are available to all HQ offices located in Germantown and Forrestal that participate in the Working Capital Fund.

Defining Success

It is our goal to provide quality printed documents, on time, and at the lowest possible cost to programs.

Business Line Projections

We do not expect the Department's requirements for printing and graphics to change much in the next five years.

The Printing business line has identified the following as key objectives for FY 2001:

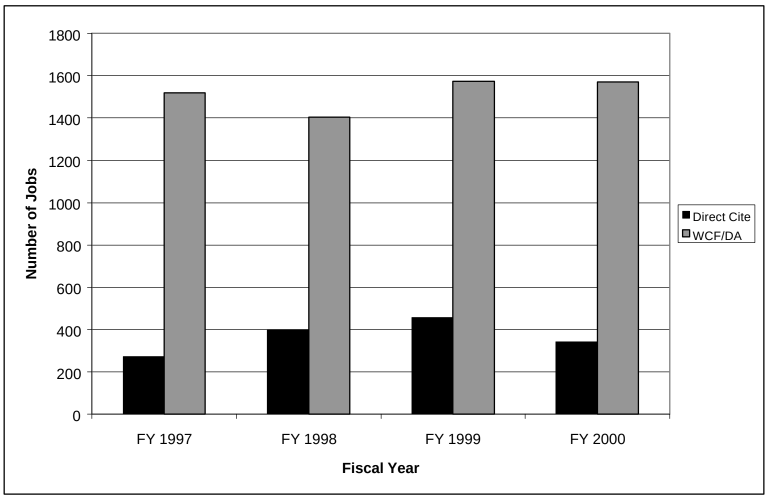
- Develop a Windows-based job tracking system.
- Continue to reduce rates and minimize overhead costs.

The Graphics business line has identified the following as key objectives to be implemented:

- Expand the Photo Lab's color print production capabilities.
- Develop integrated web sites for all MA-2 offices.

The figure below shows the number of print jobs, by type, the business line has processed over the past few years.

Print Jobs Processed



Building Occupancy Business Line

Earnings *(millions)*	Expenses *(millions)*	Net Earnings FY 2000 *(millions)*	Net Earnings FY 1997-2000 *(millions)*
$58.3	$57.6	$0.7	$2.1

Overview

The building occupancy business line earned $0.7 million in excess of expenses in FY 2000 and earned $2.1 million in excess of expenses since FY 1997. This represents 1.2% and 0.9% of earnings for FY 2000 and FY 1997 – 2000, respectively. The excess earnings fund two categories of contracts. Approximately $1.5 million is for pre-finance contracts in ongoing maintenance areas such as: elevators; custodial service; heating; air conditioning; and electricity. The remaining $0.6 million is obligated to contracts for building alterations that are not completed. The five-year business plan being developed will address the need for pre-financing methods for booking earnings for renovations.

FY 2000 Achievements

- **Renovated two new Secure Facilities for the Office of Counter-Intelligence and Office of Defense Programs.**
- **Upgraded conference room 5E-069 and 6th Floor Snack Bar.**
- **Upgraded Central Alarm Station.**
- **Installed Pop-up barriers at garage entrance and loading dock ramp.**
- **Repaired concrete ceiling in Forrestal Garage.**
- **Eliminated 48 of 112 barriers to persons with disabilities.**
- **Re-competed lease at 20300 Century Blvd. through GSA.**
- **Constructed a new chiller plant, which utilizes a non-CFC refrigerant.**
- **Completed design to install new 1750kw diesel generator system.**

Business Description

The products and services provided by the Building Occupancy business line include: space assignment and utilization, utilities, cleaning services, snow removal, maintenance, pest control, trash removal, waste recycling, drafting, construction management and inspection, engineering, lock repair and key management, safety and occupational health, and conference support. These services are provided at a standard level of service and an above standard level of service. The standard level of service is to provide the basics of a safe, healthy, warm, and adequately lit shell. Renovations within a suite of offices for the benefit of the program office are considered to be above the standard level of service and are paid for accordingly. The mission of this business line is to provide the most expeditious and efficient service in a safe and healthy environment to the members of the DOE program offices and to achieve the highest possible customer satisfaction in accordance with the Federal Property Management Regulations. The Building Occupancy business line is led by a management team whose backgrounds consist of over 120 years of corporate knowledge in occupancy allocation, building maintenance and operations, as well as engineering and facilities management. The staff is a diverse, quality workforce consisting of trade and professional personnel, federal staff, and contractors.

Defining Success

To monitor the business line's service performance, the business line monitors several metrics. These include cost per square foot of both government owned and leased space, cost per person, the number of employees housed, vacancy rate, and the total square footage of space utilized.

The Building Occupancy Business Line in conjunction with MA-2 intends to conduct its own Customer Survey in FY 2001 if an MA-wide survey is not performed. In the meantime, we continue to receive feedback from our customers at weekly space meetings, from customer feedback forms, from the APPLIX service ticket responses, responses to DOECAST messages, customer suggestions, general e:mail, and other sources.

Business Line Projections

The biggest issue that impacts the FY 2001 and FY 2002 budget is the status of the NNSA, which is currently undecided. If centralized in a building of its own, major portions of Forrestal and Germantown will be vacated. We would probably backfill the vacant space in the Federal buildings by releasing the satellite locations that are leased. If consolidated in the Forrestal Building, a new leased location would need to be obtained to provide the necessary swing space within the Forrestal building to shift organizational elements to allow NNSA to have a more contiguous presence in the Forrestal building.

In FY 2001, we anticipate growth at Headquarters of 400 personnel. The significant reduction in the cost per square foot of owned space in FY 2001 is due to a reduction in the rental rates at Forrestal as a result of the reappraisal conducted in FY 1999. We started FY 2001 with 6,149 personnel. It is estimated that we will end the year with 6,575. If we do increase to 6,575 personnel in FY 2001, the cost per person will decrease to $7,464. The rent estimate is projected to increase 1.1% in FY 2002 over the FY 2001 rent estimate.

A new administration also impacts the FY 2001 and FY 2002 budget projections in that there is a potential to reorganize the Department or portions thereof. Our experience is that the impact of any reorganization would be felt in FY 2002.

The total square footage operated by the business line remained constant from FY 1999 through FY 2000. The vacancy rate also remained essentially constant from FY 1999 to FY 2000, but if the anticipated increase in personnel happens in FY 2001 the vacancy rate will plummet when compared to FY 2000 because we do not expect a corresponding increase in square footage.

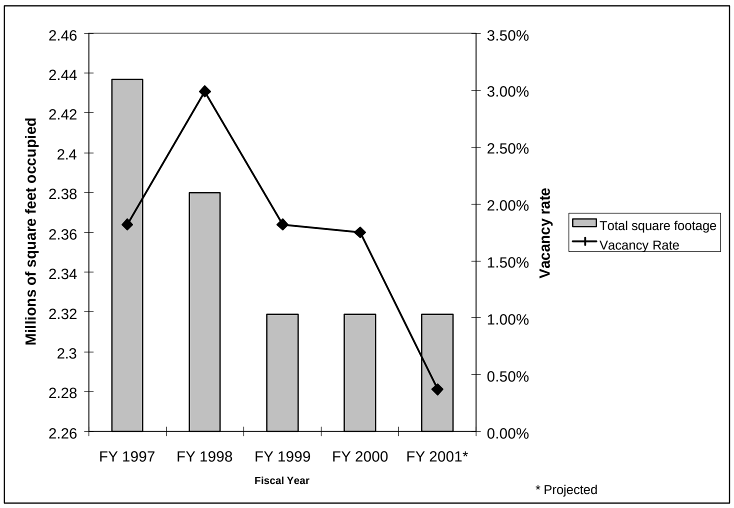
Performance results from FY 1997 to the present can be seen in the table below. The figure below shows how our primary metrics of total square footage and vacancy rate have changed since FY 1997.

Operating Metrics

Metric	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001*
Total Square footage	2,437,480	2,380,439	2,319,269	2,319,269	2,319,269
Employees Housed	6,567	6,252	6,286	6,149	6,575
Cost per Square Foot (owned)	$22.38	$22.41	$23.11	$23.19	$20.13
Cost per Square Foot (leased)	$23.49	$23.49	$22.85	$23.85	$28.49
Cost per Person	$8,349	$8,546	$8,627	$8,771	$7,981
Vacancy Rate	1.82%	2.99%	1.82%	1.75%	0.37%

*projected

Building Occupancy Metrics



WORKING CAPITAL FUND
U.S. DEPARTMENT OF ENERGY

Telephone Business Line

Earnings *(millions)*	Expenses *(millions)*	Net Earnings FY 2000 *(millions)*	Net Earnings FY 1997-2000 *(millions)*
$7.0	$7.0	$0.0	$(1.5)

Overview

The Telephone business line for practical purposes broke even during FY 2000 and experienced negative $1.5 million in earnings since the inception of the fund. These negative net earnings result from depreciation charges for capital equipment in excess of earnings. There is no need at this time to change our pricing policy because the equipment is being maintained to last through FY 2010. Expenses for FY 2001 and beyond are expected to decrease as technology development results in overall lower operating expenses, lower vendor expenses, and better utilization of communication assets.

FY 2000 Achievements

- **Completed equipment and technology upgrades in the Forrestal and Germantown Northern Telcom PBX's in FY 2000 to improve operational efficiency.**
- **Improved support for "meet me" conference calls to meet growing demand for this service with improved customer service.**
- **Implemented FTS2001, long distance service, reducing rates from $0.05 to $0.03 per minute.**
- **Implemented new contract for local phone service that will save $54,000 annually.**

Business Description

This business provides reliable telephone services that support DOE programmatic missions. It provides telephone service for approximately 13,000 users in the Department's Headquarters facilities in Washington, D.C. and Germantown, Maryland. The telephone system infrastructure is comprised of two large Northern Telecom SL100 PBX's (one for each headquarters building) and includes local, long distance, and international dialing provided through the headquarters telephone system. It also includes specialized services such as:

- Operator-assisted calls (including large audio conference calls)
- Voice mail, three-way calling, call forwarding, 800 telephone services, custom calling cards for domestic and international calling
- Video conference calling at variable speeds
- Technical personnel to install repair and operate the system
- Support personnel to administer service order implementation, billing, and charge back processes required to process the DOE HQ's user organizations service needs

Headquarters telephone system infrastructure facilities and access to the Washington Metropolitan Area local telephone exchanges is provided by Verizon Communications under the GSA WITS2001 contract, which became effective on October 1, 2000. Domestic long distance calling services and video conferencing services are provided by WORLDCOM under the GSA FTS2001 contract. International calling services and calling card services (domestic and international) are provided by AT&T under the GSA International Direct Distance Dialing (IDDD) contract. Contractor personnel provide technical and administrative support for these services.

Defining Success

Customer satisfaction is one of our key goals. The small number of user complaints and the following telephone service statistics indicate that we are meeting our goals:

- Network facility reliability of 98%
- Not more than 3.5 outbound calls blocked per 10,000 calls placed

Reliable telephone service is a critical element in each DOE organization's ability to successfully fulfill its mission. Defining and satisfying user requirements in a timely manner is our major objective. Our improved method for scheduling and tracking "Meet Me" conference calls allows operators to handle the growing demand for conference services without adding to the work force, while significantly improving customer service. The system also sends an e-mail confirmation to the person requesting the conference.

Business Line Projections

The Department implemented two new telephone service contracts in mid FY 2000 that lower incremental costs to our customers. These new contracts should produce cost savings on minutes of usage over the next two years. Telephone service technology changes will continue at a rapid rate as Internet Protocol (IP) technology and broadband facility management provides for bundling of telephone, data and video services to achieve an overall lower cost and better utilization of available telephone facilities.

The telephone system is maintained at a service and equipment availability level to accommodate changing program requirements. Plans for upgrading existing equipment and implementing new technology ensures continuous and reliable telephone service to Headquarter users. Although the business has not earned enough to cover capital depreciation, ongoing maintenance has extended the useful life of capital equipment through FY 2010.

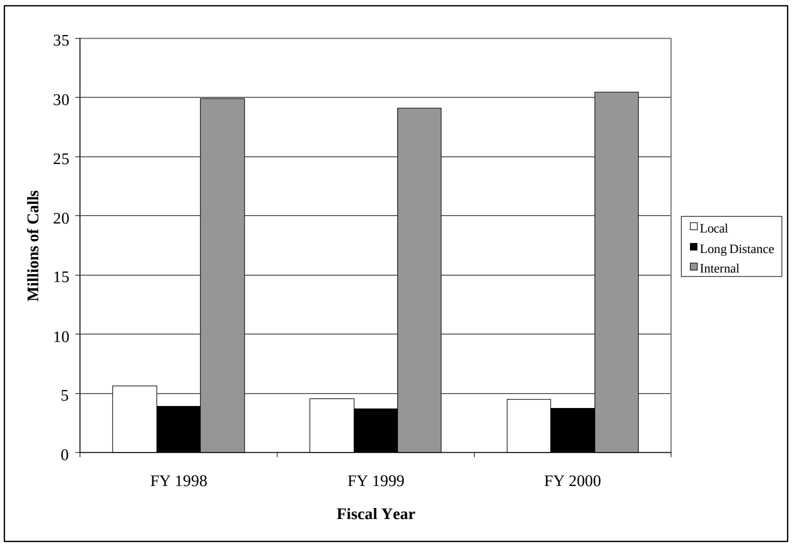
The business line saw a decrease in local and long distance calling of less than 1% but the number of calls placed on the internal exchange increased by almost 5%. Year-to-year variations in internal calls have been small, most likely because the number of Headquarters employees has remained relatively constant.

Telephone usage is shown in the below table:

Millions/year	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
FTS2000	4.8	3.5	5.6	4.6	4.5
Local	6.3	4.8	3.9	3.7	3.7
Internal (PBX)	Unknown	Unknown	29.9	29.1	30.5

The figure below shows Headquarters telephone usage for the past three years.

Headquarters Telephone Usage



Desktop Services Business Line

Earnings (millions)	Expenses (millions)	Net Earnings FY 2000 (millions)	Net Earnings FY 1997-2000 (millions)
$1.4	$1.5	$(0.0)	$(0.3)

Overview
The Desktop Services business for practical purposes broke even in FY 2000 and experienced $0.3 million negative net earnings since FY 1997. The business line is made up of three components: Workstation Infrastructure ($0.6 million), Information Technology Training ($0.3 million), and Hardware Maintenance ($0.6 million). The business has contractor expenses that are fixed in the short run. Because the business must continually maintain adequate system availability and anticipate the threat of intrusions, regardless of the level of usage, costs based on customer usage can exceed earnings. The business line is refining its capacity requirements with the result that FY 2000 net earnings have improved over past performance.

FY 2000 Achievements
- **Provided IT training for 1,834 people, receiving an average evaluation of 3.8 out of a possible 4.0.**
- **Customer satisfaction rating for hardware maintenance was at or above 95%.**

Business Description
The workstation infrastructure services component provides a range of anti-virus activities including disk media recovery. Staff analyze hardware and software as well as evaluate and demonstrate emerging technology, including the Department's adaptive workstation. Activities also include operating a help desk that supports the telephone and network business lines.

The Information Technology Training Program (ITT) develops and offers classroom training in desktop computing, department-wide applications, and voice mail. Classes are held at Forrestal and at Germantown and by way of computer-based training (CBT).

The Hardware Maintenance services component provides installation, repair, relocation, and upgrade services for all DOE Headquarters workstations, servers, printers, facsimile devices and related hardware. Hardware Maintenance services are available on a time and material basis to any DOE office.

Defining Success

The desktop business line is successful when the customer's desktop is active and productive. This success relies on the following three primary factors**:** user productivity, system availability, and addressing the threat of intrusion. This business is structured to maximize performance in these three areas.

Customer satisfaction – For the training component we use a course evaluation form completed by attendees. We send a customer service follow-up for the hardware maintenance component.

Business Line Projections

The desktop business has experienced declining demand for its services at a rate that exceeds its ability to reduce contractor support. This is a result of the need to maintain a failsafe capacity in excess of immediate demand. Fixed price contracts are less flexible in declining markets and expose the business to short term losses. Declining prices for new desktop equipment allow customers to rely on manufacturer's warranties rather than desktop repair facilities. We are currently reviewing how to right size our capacity to meet demand, and are working hard to gain new customers as well as win back prior customers. This should provide efficiencies to improve our bottom-line financial results.

We currently have internal audits underway for the ITT and Hardware Maintenance components of the Desktop business line. A similar audit of the infrastructure component is also planned. These audits will examine processes, performance, and customer satisfaction and will also provide insights into the real costs of providing services. Once these audits are completed we will make recommendations to management on the future direction of the business line.

Hardware Maintenance and ITT are optional services which customers can, and do, obtain elsewhere. The following initiatives have been taken or are being considered to reduce costs and to improve service delivery and customer satisfaction:

- Revised class formats, design and pricing structure.
- Reduce the frequency of class offerings and reduce the number of classrooms.
- Consider training vouchers offered by training-only vendors.
- Educate customers on more efficient use of hardware maintenance dollars.
- Consider elimination of Subscription and Warranty Maintenance Services.
- Consider leasing hardware.
- Consider consolidating hardware and software staff.

Network Business Line

Earnings (millions)	Expenses (millions))	Net Earnings FY 2000 (millions)	Net Earnings FY 1997-2000 (millions)
$3.3	$3.2	$0.0	$2.1

Overview

The network business line broke even in FY 2000 (rounding) and earned $2.1 million more than expenses since FY 1997. Much of these earnings has been used in capital acquisitions and is not available for other uses. This business line provides network connectivity service for approximately 8,000 users in the Department's Headquarters facilities in Washington, D.C. and in Germantown, Maryland. It has upgraded and modernized the network infrastructure to respond to growing customer requirements. The growth of technology, particularly IP-based services, will continue for the foreseeable future. This growth will demand that the network services provided to our customers become more sophisticated.

FY 2000 Achievements

- **Maintained network infrastructure availability at 99%.**
- **Improved the help desk by implementing a Call Telephony Integration (CTI) product for improved help-desk management and responsiveness to customers' problems and expanding help-desk on-site availability by 25% (6 AM - 9 PM) without additional cost.**
- **Upgraded DOE Internet connection to a DS-3 circuit with a Permanent Virtual Circuit of 15mb (a 300% improvement in throughput), which improves protection of the HQ network from intruders and provides more reliable Internet connections.**
- **Upgraded the network infrastructure fabric from a shared 10 megabit connection to a switched 100 MB connection, providing improved network response to HQ customers**
- **Began the Implementation of the Dynamic Internet Protocol (IP) Addressing (DHCP), which will assign new IP addresses in seconds and improve IP management.**
- **Extended the HQ network backbone to the Emergency Operations Office**.
- **Implemented enhanced network performance monitoring and reporting by integrating multiple components (APPLIX, HP OpenView and Concord) under a single enterprise level management tool (Tivoli).**

Business Description

This business line provides network connectivity service for approximately 8,000 users in the Department's Headquarters facilities in Washington, D.C. and in Germantown, Maryland. The network infrastructure is comprised of four ATM switches, 16 routers, 600 closet switches and the various interconnecting cabling and cable runs to the individual user locations. The business line also provides Internet connectivity for a majority of DOE HQ customers. It includes services such as:

- Installations, moves, and changes of Network connection and infrastructure components
- Installation and management of the Network circuits connecting the DOE "campus" facilities

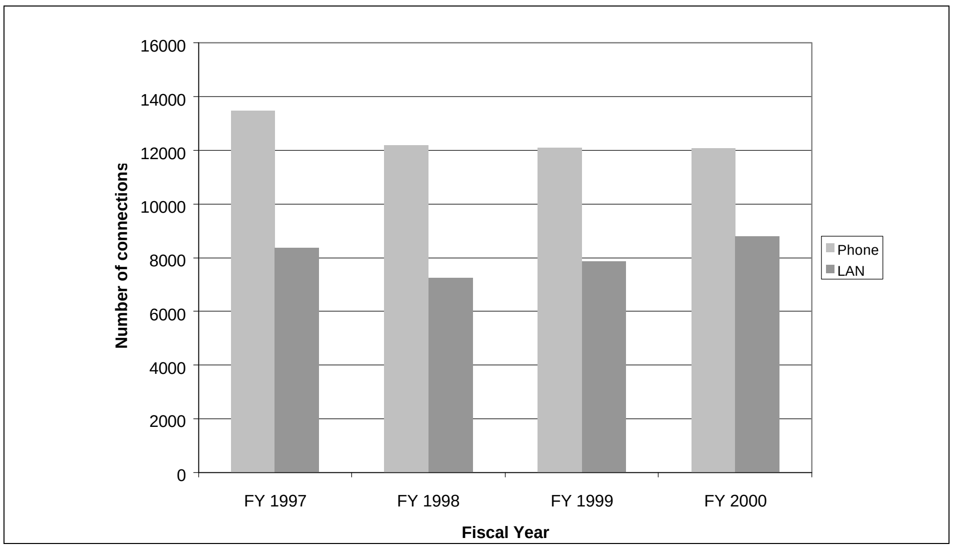
- Domain Name Service (DNS) management and maintenance
- Technical personnel to install, manage, and maintain the network infrastructure
- Hardware and software maintenance for all network infrastructure components

During FY2000, the Network business line staff responded to the following service calls:

Service type	**Occurrences**
Connection Installations	729
Connection Moves	341
Connection Changes	522
Connection Terminations	386
Help Desk Trouble Calls	2048

While the number of employees housed in Headquarters facilities decreased by 2%, the need for LAN access continues to increase. The figure below shows how the number of telephone and LAN connections has varied over the years.

Headquarters Telephone and LAN Connections



Defining Success

Network services is a critical element in the ability of all DOE organizations to successfully carry out their missions. The Headquarters network services organization success is measured on our ability to define and provide user service requirements in a time frame that meets their needs and to maintain a reliable service to meet those needs. Network availability statistics provide the key measure of the success of the networking services group.

Customer satisfaction is measured by personal contact with critical customers, help desk feedback on completed trouble tickets and by direct feedback from users in the form of complaints. Customer satisfaction, measured by these methods, is judged to be very high.

Business Line Projections

The Network business line is growing primarily due to new services offered to existing users. New services include video conferencing, DHCP, improved Internet connectivity, and upgrading existing hardware to permit faster throughput for network users.

The growth of technology, particularly IP-based services, will continue for the foreseeable future. This growth will demand that the network services provided to our customers become more sophisticated. The Networking Services group is prepared to meet that challenge.

Contract Closeout Business Line

Earnings	Expenses	Net Earnings FY 2000	Net Earnings FY 1997-2000
(millions)	*(millions)*	*(millions)*	*(millions)*
$0.5	$0.5	$0.0	$0.1

Overview

The Contract Closeout business line broke even in FY 2000 and earned $0.1 million since FY 1997. The inventory of contracts in closeout status has declined by 55% to the point there is no longer any backlog in contracts in closeout status. Fewer instruments were closed during FY 2000 because the total universe of instruments available for closure decreased by 14%. Even so, we closed 6% more contracts than we originally planned. Of the instruments available for closure, we closed 70% of them, the same as we did in FY 1999.

FY 2000 Achievements

- **Returned $12.4 million of deobligated balances to the Department.**

Business Description

The closeout process assures that all terms and conditions of the instrument have been fulfilled, all financial information has been submitted and evaluated, final payment has been made, any remaining funds have been deobligated, and the instrument is administratively retired from the Procurement Automated Data System (PADS). The retired instrument is boxed and stored locally or shipped to a federal storage facility. Instrument types include: purchase orders; firm fixed price contracts; interagency agreements; financial assistance instruments; and cost reimbursement.

Defining Success

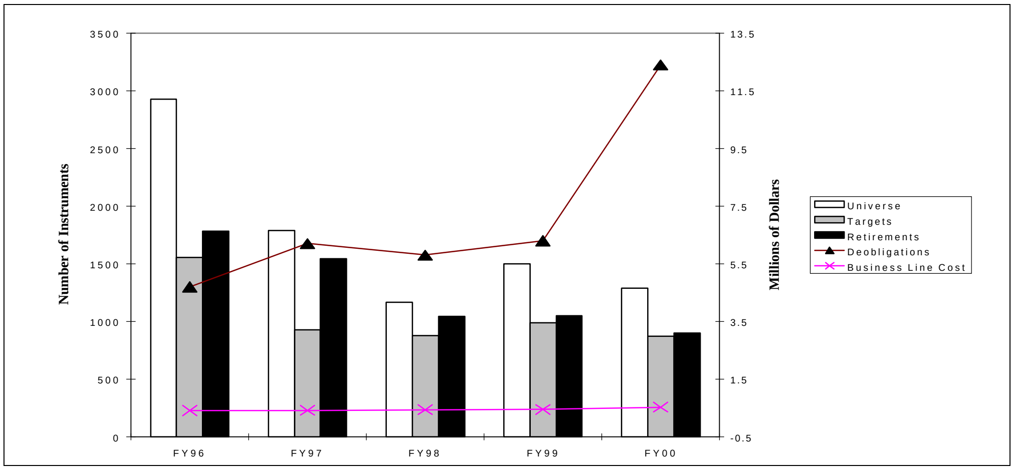
We use the following metric to measure our performance:

Fulfilling customer orders and returning unutilized funding balances to the Department.

Business Line Projections

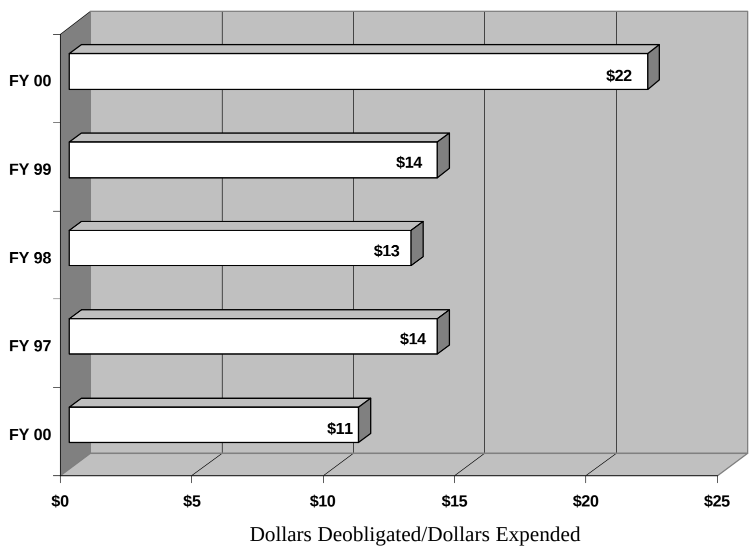
The inventory of Headquarters contracts, financial assistance instruments, and interagency agreements awaiting closeout has experienced a steadily decreasing trend during the four years that this activity has been a Working Capital Fund business. The inventory has decreased by 55% from 2,927 instruments in FY 1996 to 1,304 instruments by the end of FY 2000. With this reduction in the backlog of aged instruments, the contract closeout business line is operating with a manageable inventory. This was achieved through customer/supplier cooperation. Customers have agreed to finance annually the closeout of approximately the number of new instruments becoming available for closeout, stabilizing the inventory, and, as shown in the comparison of annual targets to actual retirements, the business line is meeting the promised number of retired instruments in accordance with service agreements.

Contract Closeout FY 1996-2000



In FY 2000, the business line activity resulted in a record level of contract obligations, a total of $12.4 million. This returns spending authority to mission programs to apply to high priority needs. As shown in the following chart, there were $22 in deobligations for each $1 charged to customers, double the level from FY 99.

Contract Closeout Return on Investment



Payroll Business Line

Earnings	Expenses	Net Earnings FY 2000	Net Earnings FY 1997-2000
(millions)	*(millions)*	*(millions)*	*(millions)*
$2.2	$2.6	$(0.4)	$(0.9)

Overview

The Payroll Business Line experienced negative net earnings of $0.4 million in FY 2000 and negative $0.9 million since the inception of the fund. The negative net earnings are offset by unearned equity of $2.2 million that was contributed to the fund outside of customer billings. Because the pricing policy for Payroll increases funding to $3.1 million in FY 2001 there is no need for further changes to the pricing policy. This business effectively and consistently paid the Department's employees on time.

FY 2000 Achievements

- **100% on time delivery of employee paychecks.**
- **Partnered with CHRIS-HR to enhance the Employee Self-Service (ESS) that provides employees with electronic Leave and Earning Statements.**
- **Completed fit gap analysis of the PeopleSoft Payroll product to determine its adequacy for DOE needs.**

Business Description

Prepares civilian payrolls based on authenticated documentation. Computes deposits, and reports Federal, State, and local income taxes. Maintains employee records related to Civil Service and Federal Employees Retirement Systems (CSRS and FERS), reports retirement information to the Office of Personnel Management (OPM), and performs reconciliation of account balances with OPM and Treasury. Accounts and reports employee's health benefit coverage, thrift savings plans, and unemployment compensation, among other non-salary employee payments. Maintains donated leave subsystem. Maintains and operates the Department's system of allocating payroll costs to the proper appropriation.

Defining Success

Delivering accurate employee paychecks on time is considered one of the most essential services offered by the Department to its employees.

Business Line Projections

In order to ensure continuation of payroll services the business examined options to modernize its processing software. In keeping with federal requirements, the Department sought a Commercial Off-the Shelf Software solution (PeopleSoft). In January 2000, the CHRIS and Capital Accounting Center (CAC) management jointly suspended the initiative to implement the PeopleSoft payroll module at Headquarters. PRC Litton (DOE's contractor) and other Government agencies found a significant number of gaps with the PeopleSoft application that could not be economically fixed in a timely manner. This discovery adversely affected the Department's modernization initiative and motivated the CAC and its stakeholders to evaluate other alternatives to remedy the setback. One alternative that appears promising is the potential outsourcing of the payroll function to another Government agency that has a modernized payroll system, and a stable infrastructure to effectively and efficiently pay the DOE's 12,000 employees. Before any decision is made, CAC plans to present a proposal to the Working Capital Fund Board for their evaluation and decision on the proposed alternative.

In addition to the initiative to implement a modernized payroll module, the CAC and its stakeholders are engaged in evaluating other Government off-the-shelf software applications that could replace the current Energy Time and Attendance (ETA) system and Labor Distribution System (LDS). The team is currently testing and evaluating the General Services Administration's and the Department of Interior's software, both of which are web-based applications.

During fiscal year 2001, the payroll business plans to continue to use the Department's current payroll system (PAYS). Furthermore, it plans to continue its modernization initiatives by testing and evaluating other COTS/GOTS software that have the potential of replacing PAYS, ETA, and LDS. There is no need for additional funding from the Working Capital Fund.